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5 Themes from 50 Economic Impact Studies

Having conducted over fifty economic impact studies for the sports industry during the past dozen years, there are many common themes that have emerged. This article will discuss five of these themes with the hope that event managers and other stakeholders who utilize economic impact analysis can benefit from these findings. Other SportsEconomics Perspectives articles have discussed [economic impact methodologies](#), [common mistakes in economic impact](#), and [alternative uses of economic impact](#).

Alchian-Allen Theorem

In 2007, professors Matt Brown, myself, Chad McEvoy, and Mark Nagel published an article in the *International Journal of Sport Finance* that looked at whether the distance golfers traveled to play golf affected how much they spent once they arrived.¹ The Alchian-Allen Theorem (or sometimes referred to as the Third Law of Demand) posits that as a fixed cost is added to the price of two products, the more expensive product becomes relatively cheaper compared to the less expensive product, and that consumers will then be more likely to purchase the more expensive product. With respect to tourism, will consumers ignore the sunk costs of travel when making their choices about food, hotels, etc? Sports tourism is a great place to study this phenomenon. We concluded:

The analysis of spending by golf tourists in Ohio is not just about the support for the Alchian-Allen theorem. It is also about whether golf consumers bundle decisions together or separate them out sequentially. Here, the customer has a choice regarding whether to bundle costs or not. The data from this study indicates that most golfers, especially golf tourists, do bundle the quality costs with the intermediate costs of transportation, lodging, and food.

As shown in Figure 1 below, the on-line survey of 376 golfers traveling within or to the State of Ohio showed very high correlations between distance traveled and greens fees, total golf spending, and total spending on their trip.

¹ Brown, M., Rascher, D., McEvoy, C., and Nagel, M. (2007). "[Treatment of Travel Expenses by Golf Course Patrons: Sunk or Bundled Costs and the First and Third Laws of Demand.](#)" *International Journal of Sport Finance*, Vol. 2.

Figure 1. Correlations Between Distance Traveled and Spending Category

Spending Category	All Golfers (n = 376)	Golf Tourists (n = 35)
Greens Fee	.549**	.983**
Cart Fee	.026	.360*
Greens and Cart Fee	.669**	.983**
Total Course Spending	.590**	.986*
Non-golf Trip Spending	.062	.334
Total Spending	.226**	.951**

* p<.05. ** p<.01.

These findings are consistent across other events, whether participatory (as with the golfers in Ohio) or spectator events. The 2007 Valero Alamo Bowl pitted Penn State University against Texas A&M University. An examination of the data from the economic impact study conducted by Richard Irwin (University of Memphis) and me shows that there is a positive and statistically significant correlation between miles traveled and the amount of money spent on concessions and merchandise at the event.²

The 2006 Busch Series motorsports event at O'Reilly Raceway Park also showed a positive correlation between spending on food and whether the fan was from out of state. Similarly, the 2008 Rock 'n' Roll Marathon in San Antonio exhibited statistically significant and positive correlations between whether the participant came from out of state and how much they spent on food and beverage and entertainment while in San Antonio.

Event marketers must realize that their marketing tactics should address where their patrons are coming from. Specifically, packages can be designed and marketed to potential customers farther away that appeal to a different level of expenditures.

“Vacationing at Home” – a Missing Source of Economic Impact

It is typical in economic impact studies to assume that all spending by local residents is substitute spending that would have been spent in town on some other forms of entertainment had it not been spent in the event in question. In other words, the spending by local residents is not counted toward economic impact. This is done to be conservative – to have a measurement of economic impact that is likely to be lower than the true measurement (not higher than the true measurement and thus subject to legitimate scrutiny). However, this concept often feels at odds with the instincts of event owners, who note that many local residents “vacation at home” and spend their money locally instead of leaving town to spend it on some other external vacation.

This concept of “vacationing at home” was analyzed in depth by Cobb and Olberding (2007).³ Using the Cincinnati Flying Pig Marathon, they found that many local runners, who account for a significant percentage of

² Without further analysis, it is not possible to know whether the fans who traveled farther to attend the Valero Alamo Bowl are more fanatical about the event or the teams causing them to spend more on concessions and merchandise at the event. In other words, do they simply have higher demand for better or more concessions and merchandise than fans who live closer to San Antonio?

³ Cobb, S., and Olberding, D. (2007). “The Importance of Import Substitution in Marathon Economic Impact Analysis.” *International Journal of Sport Finance*, Vol. 2.

race participants in many marathons, actually use their home-city marathon as a substitute for a race out of town. They found that economic impact was actually more than 20% higher when accounting for these local residents.

A key element of this type of analysis is that the researcher should count how much money the local resident *would have spent had he or she traveled to another location and ran a marathon*, not how much they actually did spend locally related to their hometown marathon. The reason for this is because the amount they would have spent abroad was not spent and is available for them to spend locally, whether it be during that same few days or within a reasonable time period. In other words, the money stayed home and likely would eventually be spent at various local businesses.

Using their same methodology, Richard Irwin and I found that “[n]early 26 percent of County residents and 33 percent of State residents indicated they would have attended the 2007 Valero Alamo Bowl had it been hosted outside of Texas.”⁴ The economic impact from spectators of this bowl game on Bexar County and the State of Texas was higher by more than 25% of what was measured by the typical methodology of not counting local residents at all in measuring economic impact.

Similarly, the 2007 Dr Pepper Big 12 Championship (college football game) economic impact study found that “[a]pproximately 5 percent of San Antonio residents, 27 percent of Bexar County residents, and 44 percent of in-state respondents indicated they would have attended the event if it were hosted outside of the State of Texas. This is highly correlated with those fans who said that they were a fan of one of the two teams playing.”⁵ Almost half of the spectators from within the State of Texas (but outside of Bexar County, where the game was played) indicated that they would have traveled to a nearby state to watch the championship if it had not been held in Texas. The money stayed home – the football game helped keep residents of the State from taking their money outside of the State. Thus, that money is incremental in that it would not be in the State to be spent at some point had it not been for the football game – it should be counted toward economic impact.

Spectator Spending Inside of the Facility – Does it Count Toward Economic Impact?

Many economic impact studies count the money spent by visiting spectators inside of a sports facility as part of economic impact. The rationale is quite straightforward – the sports facility is a business in the community like any other business (e.g., local hotel or restaurant) and spending by incremental visiting spectators on that business ought to count toward economic impact just like it does for the other local businesses.⁶ It is true that the facility is a local business (just like a hotel), but if the goal of the economic impact analysis is to measure how much money comes into the community and works its way to the local residents, then it might be more accurate to measure how much money comes *out* of the facility into the community. In other words, of those millions of dollars spent inside the building by incremental visitors because of the event, how much is then spent in the community.

⁴ Irwin, D., and Rascher, D. (2007). “2007 Valero Alamo Bowl Economic & Fiscal Impact Analysis: A Primary Study.”

⁵ Irwin, D., and Rascher, D. (2007). “2007 Dr Pepper Big 12 Championship Economic & Fiscal Impact Analysis: A Primary Study.”

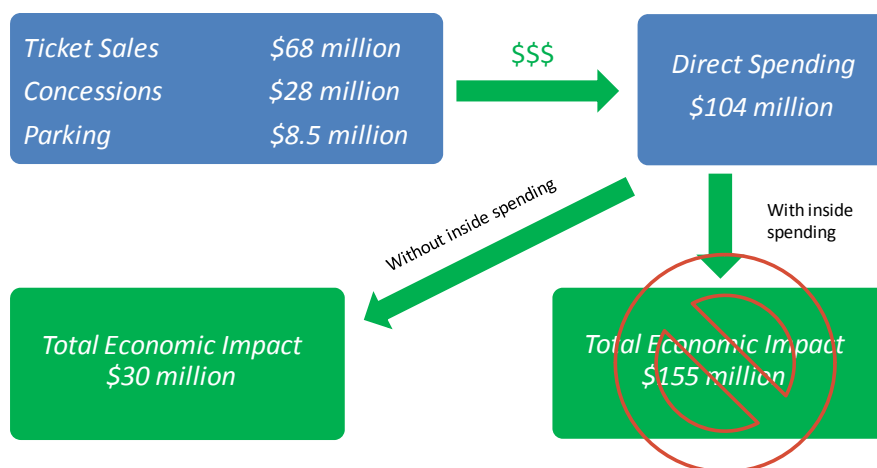
⁶ An incremental visiting spectator is a visitor from outside of the community (area of impact) who has come to the community with the main purpose of attending the event. If that person is coming instead for another reason and happens to attend the event (called a “casual visitor”), then their spending does not count toward economic impact (but perhaps the economic impact of the other reason they have come to the community). Also, if that person comes for the event, but that replaces another trip that they were going to take to the same community, then their spending does not count because they would have come and spent it another time. Thus, it’s a wash.

This is really the second round of spending, the first round being the purchase of concessions, parking, etc. at the event, and the second round being how the facility/team/event owner spends that money. This could equally be applied to the local restaurant in town. However, it is usually not possible to determine how much money the local restaurant takes in from the incremental visitors and then spends in the community. This is the *raison d'être* of the “multiplier” effect that is so often controversial in economic impact studies.⁷ If we could, we would measure that second round of spending, but it’s typically not feasible to do so. Yet, for a sports facility it might be possible.

SportsEconomics did just that as part of an economic impact study of a major professional sports team and its host facility. An audit of the sports team’s pattern of expenditures was conducted and revealed that about 22% of the expenditures by the team took place in the local community. When comparing this amount to what is spent by visiting spectators in the sports facility, it was lower. In other words, counting economic impact by measuring what visitors spend at the event generally provides an estimate that is larger than counting what is thrown off by the event (at least for a sports team and its facility). Of course, reporting both estimates and explaining the methods and differences is probably the most useful analysis. That way the reader can know what the estimates are under both conditions.

As an example of how this can change economic impact estimates, SportsEconomics was hired to conduct an economic impact study for a major professional team, evaluate the expected impact in a new facility, and critique an existing study. The existing study measured \$68 million in ticket sales, \$8.5 million in parking revenues, and \$28 million in concessions. This direct spending of \$104 million led to about \$155 million in total impact in the surrounding city. However, without those revenues inside of the stadium, economic impact would fall from \$155 million to about \$30 million in the city. That is a very large decrease and ended up impacting the decision-making by one of the prospective cities on whether or not to get involved in the bidding to host the new stadium. A key issue is that most of the revenue generated inside of a major professional sports stadium goes to the major tenant in that stadium. The extent to which that tenant then spends the money in the community as part of their normal business operations is measured as economic impact.

Figure 2. The Impact of Counting Spending Inside of a Sports Stadium



⁷ The multiplier effect is based on estimates by the federal government on how money flows within a county once that money is initially spent in the county on various types of businesses (e.g., lodging, restaurants, and retail).

Can Spending *Inside* of a Facility Help Estimate Spending *Outside* of the Facility?

Event owners and facility managers often have economic impact studies conducted in order to determine how much the local community is financially impacted by the event, team, or facility in general. However, there are times when the economic impact study does not take place for a variety of reasons (e.g., expense or planning). Is it possible to use known information about an event to help determine how much money was likely spent outside of the facility?

Using a set of studies that SportsEconomics conducted in a single city using the same methodology across all of the studies, we found that a highly statistically significant estimate of outside spending could be measured using the amount that was spent inside of the event. On a per visitor basis, the average amount spent outside can be estimated by multiplying the number of days the event was attended (for multi-day events) by \$224 plus nearly \$1 spent outside for each \$1 spent inside minus \$290. On average, a visitor stayed 2.5 days for the events in the model and spent \$96 inside of the event. The events in the study averaged 3.3 days because some of the events were multi-day festivals or were tournaments that lasted a number of days.⁸ While this is a starting point for empirical estimates of spending, the goodness-of-fit of the model is quite high.

Where do Visitors Spend Their Money?

In order for an event to really generate substantial economic impacts, it needs visitors to stay overnight, causing them to spend money on lodging and a number of meals. Those are the big ticket items when it comes to economic impact. Many events, however, are single-day events. Yet, some event owners, such as Elite Racing (now owned by the Competitor Group) have managed to turn a one-day event into a three-day event. The Rock 'n' Roll Marathon series that are expanding into more and more cities every year has an expo the day before the marathon and requires runners to register at the expo. That's two days. Then, at the end of the marathon is a musical event that goes late enough that it's hard to get on a plane and get out of the city until the next day. That's three days.

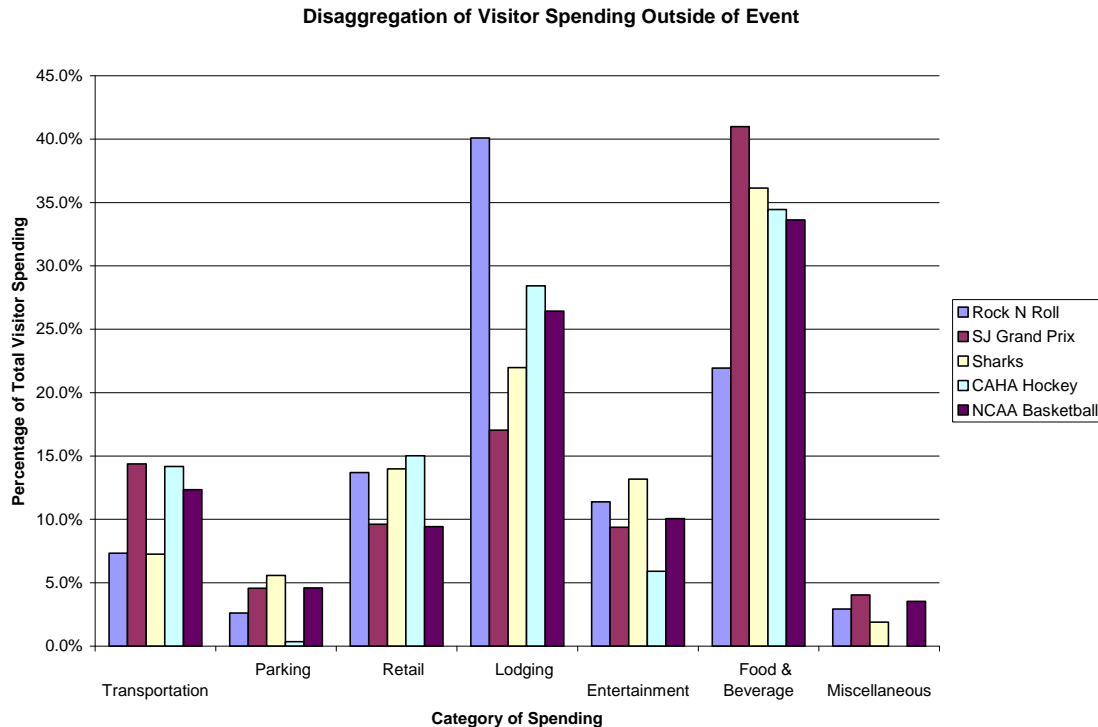
SportsEconomics has measured the economic impact of three Rock 'n' Roll Marathons in two locations and the economic impact is quite large.⁹ Not only do marathon runners spend a lot per day when they travel to an event (they do generally have relatively high incomes too), but they make a mini-vacation out of it and often bring along a friend or two.

Where do they spend their money? Figure 3 shows where visitors spend their money for a variety of events in the City of San Jose. Three of the events are mostly spectator-driven (San Jose Grand Prix, San Jose Sharks game, and NCAA Men's Basketball Regionals), and two of them are more participant-driven (the Rock 'n' Roll Marathon and the CAHA Youth Hockey Tournament). As can be seen, lodging and food & beverage make up over 50% of the spending by visitors to these events. Transportation, retail, and entertainment account for just over 10% each.

⁸ The model had an Adjusted R² of 0.84, meaning that 84% of the variation in spending per visitor across the events was explained by these few variables (number of days, spending inside of the event, and a constant term of -290). This model is only useful for events that are two days or longer (based on the events in the study).

⁹ Two of the studies were conducted in conjunction with Richard Irwin.

Figure 3. Where do Visitors Spend Their Money?



Discussion and Further Research

The point of these findings are that economic impact analysis is an ever-evolving sub-field of sports economics and sport management, continuing to improve the methodologies, data collection, and analysis for the benefit of event owners, team owners, facility managers, and government decision-makers.

Fiscal impact analysis, the measurement of the tax impact of an event on local government coffers, often fails to account for the full set of possible tax impacts. Most studies measure the impact of an event/team/facility on sales, hotel, and maybe rental car taxes. Yet, these typically make up less than 25% of a local government’s tax revenue sources. What about franchise fees, utility taxes, licenses and permits, or property taxes. While an event might or might not pay taxes directly into these sources, the businesses that support the event and make money off of the event (i.e., the recipients of the economic impact spending) do pay into these sources and may pay more because of the event itself.

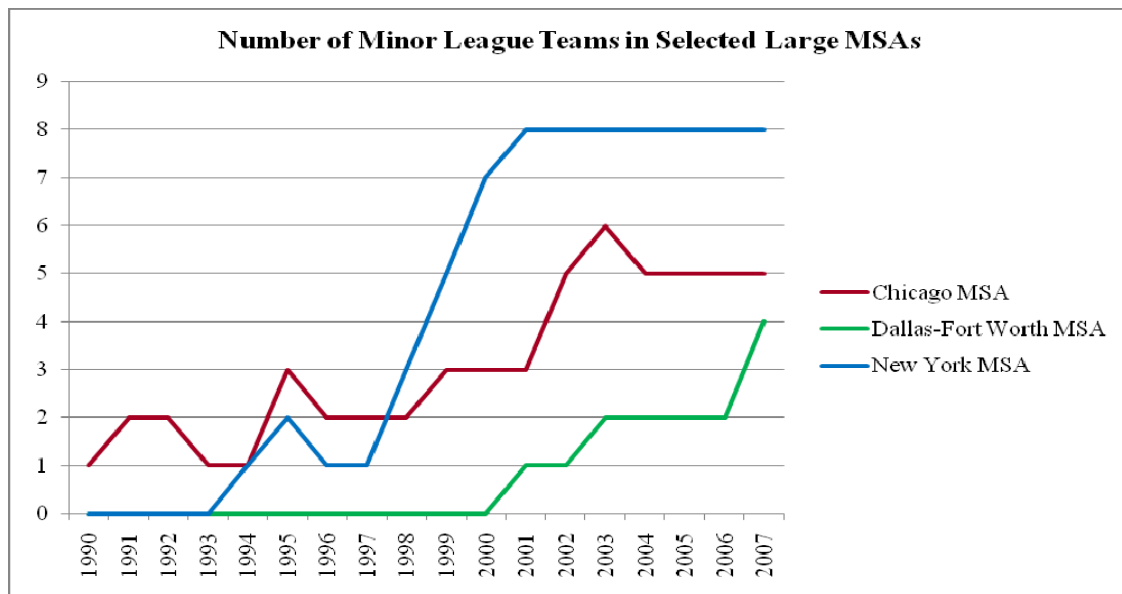
What about future tourism caused by a major event that is covered on television nationally or internationally? That hardly ever gets measured as part of economic impact, but if an event causes people to travel to that area in the future, that event is partially responsible for the future economic growth of the area. This is extremely hard to measure, but should not be forgotten. The media coverage of an event is akin to a tourism board taking out an advertisement or running a commercial asking the viewer to come and vacation in that area or state.

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The Effect of Minor League Baseball on Local Incomes

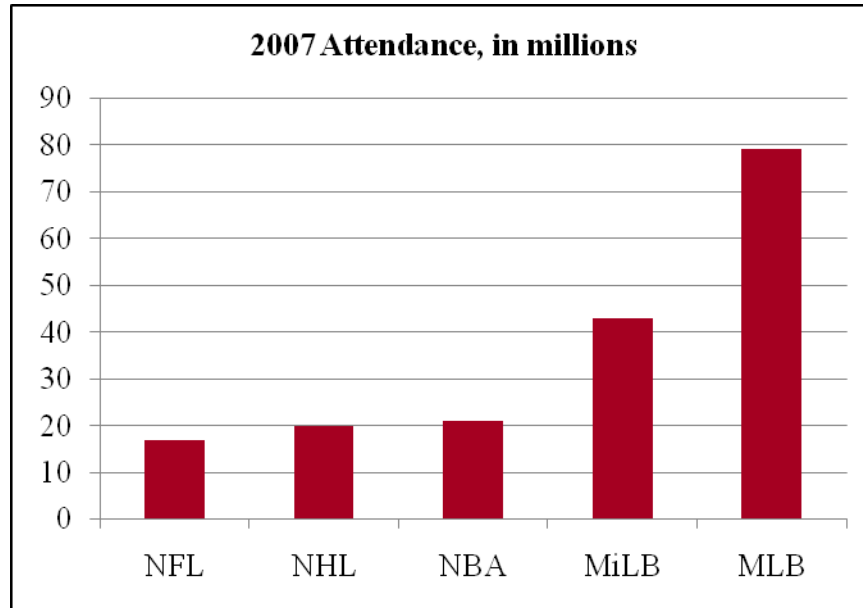
Minor League Baseball, despite its history of playing in small, rural towns, is fast becoming a ubiquitous force in large and small cities throughout America. Annual attendance doubled between 1980 and 2000 to over 40 million annual spectators today. Part of this rise can be attributed to increasingly skillful marketing of the game and part to the propensity in the 1990's to locate minor league teams in the burgeoning suburbs of larger American cities. Figure 1 illustrates the dramatic increase in the number of minor league teams in three large Metropolitan Statistical Areas (MSAs), all of which already host one or more Major League Baseball (MLB) teams.

Figure 1. Number of Minor League Teams



Not only is minor league baseball experiencing major growth in attendance, but its annual attendance also surpasses the annual attendance in the NFL, NBA, and NHL as seen in Figure 2. In fact, only Major League Baseball (MLB) sees more in-game attendees each year than does Minor League Baseball.

Figure 2. Attendance in Various North American Sports Leagues



Two other important events occurred in 1990 in relation to the Professional Baseball Agreement (PBA), the master contract that details the relationship between MLB and Minor League Baseball. First, the 1990 PBA codified reduced payments from MLB teams to minor league teams, required annual fees from the minor to the major leagues, and developed a revenue sharing formula whereby major league franchises imposed a sliding tax on ticket revenue. Second, and more pertinent to this research, was an attachment to the 1990 PBA entitled Minor League Facility Standards and Compliance Inspection Procedures. Attachment 58 was nearly 20 pages of new stadium requirements that were imposed on the minor leagues. This attachment mandated that minor league teams dramatically renovate or build new stadiums in order to retain their major league affiliations.

The increased financial independence of minor league teams, coupled with more stringent stadium requirements and the dramatically increased costs of purchasing a franchise, resulted in an increase in the already booming minor league stadium market, higher prices for new stadiums, and larger stadium contributions from communities throughout the U.S.

In nearly every case, stadium proponents made arguments identical to those made in MLB – a new publicly subsidized stadium will lead to economic growth, more jobs, increased tax revenues, and higher incomes. Yet academic researchers have spent the last 20 years disproving these claims at the major league level.

This situation begs the question: do minor league baseball teams really deliver the economic gains they claim? Or are they simply reiterating the unsubstantiated claims of their major league counterparts?

Further, based on the distinct characteristics of teams in different classifications as well as the characteristics of the cities in these classifications (see Figure 3), are there differences in the ability of the teams and stadiums to provide economic gain?

The answers to these questions help inform the current debate on public funding for minor league stadiums by evaluating the veracity of claims made by stadium proponents. With hundreds of millions of public dollars spent each year on minor league baseball stadiums, the economic effects of teams on communities have important policy implications.

Minor League Baseball Context

Minor League Baseball, known from 1901 to 1999 as the National Association of Professional Baseball Leagues, governs approximately 170 teams in 19 different minor leagues, each with their own management structure. The leagues are categorized into classifications where AAA is the highest followed by AA, A, and rookie leagues. Although the single-A leagues are no longer officially broken down into advanced A, A, and short-season A, the distinction is useful in this research. As can be seen in Figure 3, each classification exhibits different characteristics in a variety of measures.

Figure 3. MSA Characteristics by Minor League Baseball Classification, 2006

	Average population ^a	% playing in MSAs with any major league team	% playing in MSAs with a MLB team	Average stadium age (years)	Average stadium seating capacity	Average games played per season
MLB	5,794,493	100%	100%	23	44,774	161
AAA	1,188,280	38%	3%	21	12,773	143
AA	569,885	11%	4%	16	7,519	140
All A's	466,078	19%	16%	26	5,477	117
A+	516,165	20%	15%	33	5,784	138
A	426,144	13%	10%	20	5,849	138
A-	455,925	24%	24%	26	4,799	75
Rookie	171,694	0%	0%	32	3,382	72
Ind.	632,672	33%	33%	28	4,995	na

^a Excludes minor league teams playing in far suburbs of very large MSAs that are not reflective of their true market size.

Independent leagues are not governed by Minor League Baseball, are free to set their own schedules, sign their own players, and were unaffected by the 1990 stadium requirements. Yet independent leagues have always struggled with financial viability because they have had to cover the entire portion of their expenses with no assistance from major league teams. Despite lower player talent than affiliated teams, independent teams must rely more on player talent, wins, promotions, and marketing to drive attendance and therefore revenues to the team. The result is independent leagues tend to exhibit more market volatility, as evidenced in Figure 2, and stay in a city only 25% as long as an affiliated franchise, on average.

Figure 2. Franchise Volatility as Measured by the Number of Years in an MSA

	Affiliated Classification						IND
	AAA	AA	A+	A	A-	R	
Mean	17.23	13.57	18.76	15.64	15.06	16.85	4.61
Standard Error	1.53	1.19	1.44	1.24	1.37	2.01	0.33
Median	19	12	20	14	15	18	3
Minimum	1	2	1	1	1	3	1
Maximum	27	27	27	27	27	27	14

Note. All minor league teams in the 27 year period between 1980 and 2006.

Data and Methods

Data were collected on every minor league team that played between 1980 and 2006. This included teams in 3 AAA leagues, 3 AA leagues, 7 A leagues, 2 advanced rookie leagues, and 22 independent leagues. Of all of the affiliated and independent minor league teams that played in this period only 24 were excluded from the sample; nineteen teams played in Canada and five played in cities where the US government does not collect any economic data because they are so small.

Once team and stadium data were collected they were aggregated into 268 Metropolitan Statistical Areas (MSAs). The MSA was chosen as the geographical unit of analysis over a smaller county unit because of data availability and because most research to date is also conducted at the MSA level, thus facilitating comparisons. Eighteen MSAs were deemed non-representative of the market area of the team. For example, the Chicago metropolitan area is not an appropriate market area for the team located in Gary, Indiana, even though the team is technically located in the Chicago MSA. This resulted in the loss of 18 MSAs which, in addition to the removal of 5 years of data to create honeymoon variables, ultimately provided a final sample of 238 metro areas in the years between 1985 and 2006.

Additional data was collected on real per capita income, population, and employment from the Regional Economic Information System (REIS) produced by the Bureau of Economic Analysis (BEA) in the U.S. Department of Commerce.

A reduced form equation regressed per capita income on an array of team, stadium, and local market characteristics. To estimate this model, which exhibited panel heteroskedasticity, autocorrelation, contemporaneous correlation, and a lagged dependent variable, it was first-differenced and then a panel corrected standard error estimator was applied.

Results

The results are in many ways similar to MLB research. That is, in most classifications the presence of a team or stadium was associated with insignificant changes in per capita income. Yet, strikingly different than research on MLB teams were positive results in four classifications. Specifically, the mere presence of an AAA franchise is associated with a \$67.25 increase in per capita incomes, holding all else constant (see Figure 3). Similarly, an A+ franchise is associated with a \$117.57 increase in per capita income. The honeymoon period for stadiums at the AA (\$160.83) and rookie level (\$201.99) also have significant impacts on per capita income.

Figure 3. Effects of the Presence of Minor League Baseball Teams on Per Capita Income, 1985-2006

Variable	Coefficient	Variable	Coefficient
AAA Franchise	**67.245	AAA Stadium	-2.897
AA Franchise	60.489	AA Stadium	**160.828
A+ Franchise	**117.567	A+ Stadium	-110.886
A Franchise	-12.375	A Stadium	56.599
A- Franchise	-52.268	A- Stadium	-14.511
Rookie Franchise	-22.967	Rookie Stadium	**201.992

** Significant at 5%

To determine if these four unique results were an anomaly or a result of some type of error, several robustness checks were conducted, each confirming the results of the original analysis but with AAA teams and rookie stadiums the most robust to alternative specifications.

Explanations

So why would teams and stadiums at a few unique classifications possibly have a positive effect on per capita incomes?

There are actually myriad reasons minor league teams might have a more negative effect on local economies than their major league counterparts, including lower levels of national media exposure, shorter seasons, decreased league longevity, more frequent moves, seasonal employment, lack of national revenue sharing, and the small size of the business. Despite these undeniable features of minor league baseball, AAA and A+ teams and AA and rookie stadiums must exhibit other characteristics that make them productive assets.

From a theoretical standpoint increased incomes can result if a team generates new spending by out-of-area visitors, discourages residents from spending outside the local economy, has low levels of leakages, results in little or no crowding out effects, has high stadium utilization rates, or is located in a metro area that is geographically isolated. Thus, some or all of these criteria must necessarily be occurring in the MSAs that host minor league teams in AAA and A+ leagues and that build stadiums for AA and rookie teams.

It appears that in MSAs that are geographically isolated the presence of a team induces two separate effects. First, if there are no other major league sports within a three hour drive a team likely encourages locals to stay locally for their leisure and entertainment spending. Second, if there are no other regional sports, fans from outside of the MSA will travel to a game as it is the highest quality in-game sporting experience in the region.

Even in markets where there are major league teams but no MLB teams, a AAA baseball game is as close as savvy sports consumers can get to a major league product if they also desire a high quality baseball contest. Alternatively, the major league experience may be so expensive that sports connoisseurs are drawn to the more affordable, yet still relatively high quality, AAA game.

In addition, minor league baseball by its very nature does not induce crowding out effect. In other words, it is hard to imagine that hotels will be full and locals will change travel and spending patterns to avoid the crowds associated with a game.

In terms of stadiums, they are theoretically more likely to affect per capita income if they are located in a central business district, have a high degree of utilization, are new instead of replacements, and if they drive new visitor spending.

It is hard to conceive that an AA stadium that draws an average of 3,837 attendees 70 times a year or a rookie stadium that draws an average of 1,364 attendees 35 times a year could possibly generate enough economic activity to create a measurable effect in the scope of a larger regional economy. It may be that they are more successful than other classifications in utilizing the venue for other activities that drive economic activity by drawing visitors from outside the local economy. When minor league ballparks are said to be built as community assets that host everything from high school marching band contests to rock concerts, perhaps these are the markets where this holds true. For example, Hunter Wright Stadium in Kingsport, TN is home to the rookie-level Kingsport Mets. The stadium hosts the Mets, a baseball team from Gate City High School in nearby Virginia, and the post-season tournaments for the Appalachian Athletic Conference and Region XII of the National Association of Intercollegiate Athletics (NAIA).

There may also be MSA-specific factors that induce positive stadium results. Rookie MSAs are the stereotypical Americana version of rural, small town America. Virtually all are geographically isolated in deep Appalachian valleys or the open expanse of the rural west. In addition to their isolated nature, rookie-level teams tend to be very stable. Team movements are rare and most teams have a long tenure in their MSAs. These teams may in fact be the “only show in town” which suggests a high level of psychological identification and may explain why a new stadium generates such a powerful response. Indeed, the official website for the town of Pulaski, VA, lists a visit to historic Calfee Park as the number one item on its list of Things to Do.

Take home messages for sport managers

To be clear, teams and stadiums in the majority of classifications have insignificant effects on per capita income. This is consistent with prior major league research. What is unique about the minor league context is that entire leagues of teams at the AAA and A+ levels are, for the first time, reflecting positive changes. No direction of causality can be inferred from this relationship and there is certainly no recommendation for cities to invest in AA or rookie stadiums. What is distinctive about these results is the acknowledgement that perhaps fundamental differences in the business structure of sports can result in dramatic changes in the ability of sports teams to affect their local economies.

There are over 170 minor league teams in the US and many more cities seeking to induce a team to move to their community. This research has implications for practitioners, policy makers, and politicians involved in the management and movement of these minor league franchises.

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Exploring Sports and Entertainment Districts (SEDs)

There have been an overwhelming number of studies and articles asserting that sports facilities do little to stimulate local economies and that any associated economic benefits are limited. Nevertheless, cities and developers continue to utilize sports facility development's as a tool for economic stimulus, as an anchor to sports and entertainment districts (SED's), and as a catalyst for ancillary development.

As public and political support for sports facilities have come under increased scrutiny, proponents of proposed projects have shifted their focus from the impacts of the facility itself to the potential benefits of future development and redevelopment in the areas adjacent to the facility. Although not a new idea, the concept of a "sports and entertainment district" is once again being touted as a viable urban planning and economic development tool.

What is a Sport and Entertainment District?

For the purposes of this discussion, a planning "district" is loosely defined as a geographic area where planning, development and/or marketing efforts are focused on particular types of uses and/or sets of activities. In the case of SED's, a sports facility serves as the primary anchor and major driver of activity within the planning area. While the concept of SED's is widely used across the United States, the framework and implementation of these districts greatly varies.

More recent examples of SED's include the City of San Diego's efforts to revitalize the area around Petco Park, which opened in 2004, and the opening of LA Live in downtown Los Angeles in 2007 adjacent to the Staples Center. The idea of creating a SED has proliferated to all types of sports facilities (stadiums, ballparks, and arenas), to all levels of sports competition (major leagues, minor leagues, and amateur) and to a variety of locations (both urban and suburban).

Key Elements of a Sports and Entertainment District

Without having a generally accepted definition of an SED, it can be difficult to identify one unless it is clearly defined by a local planning jurisdiction, developer, or team. For that reason, it is important to enumerate the key ingredients of a SED.

1. Sports Facility – while this may seem obvious, it is important to think of the facility as an anchor tenant. This means the type of facility (stadium, arena, or ballpark) and the primary team plays a major role in the success of the SED. This is because the number of event days and gravitational pull of the facility will vary by type of facility and popularity of the sport and team. Additionally, the district boundaries should be within comfortable walking distance of the facility itself.
2. Activity on Non-Game Days – are there other uses that visitors would utilize on both game and non-game days? Does the tenant mix create a vibrant environment that remains active throughout the year and attracts people to the area? Are there ways to utilize the facility for events other than its primary purpose? This is critical to the long term viability of the SED and can be achieved by locating office, commercial, and residential uses within the district.

3. Complementary Uses that Cater to a Wide Demographic – adjacent uses that are commonly found in SED’s include restaurants, other entertainment venues (e.g. movie theaters), commercial and retail uses, hotels and tourist-serving uses, and other large facilities (convention centers, museums, etc). There should be activities for a wide demographic range including families, business professionals, and others.
4. Park-Once Factor/Availability of Transit – is there shared parking and can visitors park once and utilize both the facility itself and the surrounding commercial activities? Are there viable ways for reach the facility and district without driving? Most suburban facilities are surrounded by a sea of parking that is only used on game day and many do not have readily available transit options to the facility. Creating a walkable environment and pedestrian safety are very important goals for any SED.
5. Branding & Marketing Efforts – does the stadium owner/operator, team, developer, surround property owners, the city, or some other agency take an active role in branding and marketing the area as SED? Does the SED have name recognition and is it considered a destination by residents and visitors? Inherent to the success of these efforts are creating community ownership of the project and ensuring the SED is a source of civic pride for residents.

Key Issues in Planning and Developing Sports and Entertainment Districts

Establishing a sports and entertainment district can quickly become a complex issue with a variety of viewpoints and perspectives. Given the key elements of an SED described below, it will be possible to better understand the importance of each factors.

Planning and Land Use Regulation

Creating linkages between uses that meets all the elements of good urban design should be a goal of all SED’s (pedestrian safety, adequate open space, preservation of historic assets, good view corridors). As with most major projects, planning issues such as zoning, land use, traffic, noise, are safety become focal points during the planning and approval process for a SED. In states with very strict environmental impacts standards, such as California, these issues become even more important.

Public Investment and Public-Private Joint Ventures

Although the pendulum has swung from mostly publicly financed facilities to now predominately privately financed projects, there is often a need for some public contribution to the establishment of a SED. In many cases, this may be in the form of basic infrastructure improvements within the district, support for nearby public open space, redevelopment agency subsidy to projects within the district, and/or funding for other general cost areas such as parking, marketing, or maintenance.

As funding sources are limited for most jurisdictions, these issues becomes a question of opportunity cost where cities and redevelopment agencies are looking for the most public return for their investment of public dollars. To the extent planning efforts for SED’s or sports facilities can maximize the return (usually in the form of fiscal revenue or economic development) to the community, support for the project and/or district will increase.

Creating a Sense of Place and Proactive Marketing

Creating synergy between a project and its environment, sometimes also referred to creating a sense of place, has been a goal for urban planners and developers for decades. In order for a SED to be successful, it must become a destination for the city and the region. How can a SED create a memorable experience that is economically viable and meets the needs of the surround residents and businesses (including the tenants of the sports facility)?

Successfully branding and promoting an SED requires creativity, high quality design and construction, appropriate thematic elements, and great public and private open spaces. Some of these steps are addressed in the planning and development stages of the project, while others require the continual efforts of the key stakeholder groups.

Implementation and Ongoing Management

Many great plans for sports and entertainment districts fail to materialize due to a weak implementation program. This is because many projects are greatly affected by factors of timing, phasing, and financing. A good implementation program will analyze how these factors related to a specific project and what are realistic timelines and outcomes. If expectations are not realized, then the project may be perceived as a failure, when in fact adequate time and resources were not yet made available. From that perspective, managing expectations of all stakeholders is a key step.

Once a sports facility is built, the ongoing management of the SED is also a determining factor in the outcome of the project. Not only is maintenance of the district key, but coordination among future projects can help ensure the original vision is preserved. Management can come from either public or private entities and can be funded in a variety of ways. One advantage of creating a district is that property owners and/or business can more easily pool resources through a Business Improvement District (BID) or Community Facilities District (CFD).

Conclusion

While the debate on the value of sports facilities and sports and entertainment districts will continue for the foreseeable future, it is clear that the concept of an SED is not going away any time soon. For that reason, there is great benefit in more clearly identifying what a SED is and what are the best practices in creating, developing, and maintaining SED's. Future research should analyze existing SED's by the criteria and characteristics above in an effort to further refine the guidelines for future SED projects.

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